



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 1/16/2009

GAIN Report Number: CA9002

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 2 2009

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Report Highlights:

Canada Pleased That Final Rule for U.S. COOL is More Conducive to Livestock Trade But Intends to Monitor Impact * Canadian Cattle and Hog Industries More Hopeful Following Changes to Final Rule for COOL * Canadian Government Puts Plans to End Canadian Wheat Board Monopoly on Hold * Canadian Wheat Board Announces Ambitious Export Targets * Market Access Secretariat Formed to Boost Export Opportunities, Especially for Beef Sector * Canadian Renewable Fuels Production Capacity Targets May be in Jeopardy

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Ottawa [CA1]
[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

CANADA PLEASED THAT FINAL RULE FOR U.S. COOL IS MORE CONDUCTIVE TO LIVESTOCK TRADE BUT INTENDS TO MONITOR IMPACT:

The Canadian government expressed optimism following the publication by USDA of the final rule for U.S. country-of-origin labeling (COOL) but said it would monitor the trade and market impact of the legislation. Recently, Canada requested formal bilateral consultations be held under the World Trade Organization (WTO) regarding COOL and it is generally happy that changes to the final rule will help to keep livestock trade moving. "I am pleased that key issues raised by Canada are addressed in these measures," said Stockwell Day, Minister of International Trade and Minister for the Asia-Pacific Gateway. "We have built a strong and durable trade relationship over the years with the United States and we must more than ever aggressively pursue this already robust relationship during these difficult economic times." Gerry Ritz, Minister of Agriculture and Agri-Food added, "These final regulations will help to address the concerns we've consistently raised with our American counterparts, and we will continue to work with the U.S. to prevent any unfair harm to our industry." *Comment: AgMin Ritz told the media that Canada would, for now, "shelve" its complaint against U.S. COOL filed on December 1 before the WTO. In his explanation to the press, Ritz said that this did not mean Canada was withdrawing the WTO complaint. Instead, the government will "hold it in abeyance".*

CANADIAN CATTLE AND HOG INDUSTRIES MORE HOPEFUL FOLLOWING CHANGES TO FINAL RULE FOR COOL:

Canada's cattle and hog industries are hopeful that changes allowing greater flexibility in COOL final rule will reduce some of the uncertainty in Canadian livestock markets. However the livestock producer groups remain opposed to mandatory COOL, and view it as trade barrier. The Canadian Cattlemen's Association (CCA) issued a press release CCA President, Brad Wildeman, stated, "At first glance of the 260-page rule, we are pleased to see that it provides the same flexibility for use of a mixed origin label on beef (or pork) derived from animals imported direct-for-slaughter, as now exists for use with a mixed origin label on products derived from United States (U.S.) origin animals. This should provide U.S. buyers of Canadian cattle (and pigs) greater flexibility in managing their inventories." Wildeman continued, "We hope this approach enables U.S. facilities to resume accepting Canadian cattle for immediate slaughter along with Canadian-born cattle fed in the U.S. We also hope that this flexibility eliminates, or at least reduces, price discounts by U.S. packers for Canadian cattle." Jurgen Preugshaus, President of the Canadian Pork Council expressed to the media that he was pleased that under the final rule U.S. processors would have the ability to mingle product born in Canada with U.S. product and allow U.S. processors the ability to import slaughter hogs that are born in Canada or hogs born in Canada and raised in the U.S. and then mingle (them) under one label thereby promoting plant efficiency.

CANADIAN GOVERNMENT PUTS PLANS TO END CWB MONOPOLY ON HOLD: After much speculation by industry observers, Canadian Agriculture Minister Gerry Ritz has confirmed that the Canadian government will be putting aside its efforts to dismantle the Canadian Wheat Board's (CWB) single desk status – for the short run. In a widely reported interview with a Yorkton (Saskatchewan) radio station, Agriculture Minister Gerry Ritz confirmed that his government has put aside plans to introduce legislation designed to end the CWB's monopoly. This is a significant about-face as the Conservative government has been aggressively pursuing its objective to bring *marketing choice* to farmers in Western Canada since elected in early 2006. The near toppling of the minority-status Conservative government just before Christmas by opposition parties, a looming recession, and a CWB director election which resulted in the board maintaining its pro-single-desk majority are all good reasons for the government to turn its attentions elsewhere for the moment.

CANADIAN WHEAT BOARD ANNOUNCES AMBITIOUS EXPORT TARGETS: The Canadian Wheat Board has announced export targets of 16 million metric tons (MMT) of wheat (up 1.4 MMT from last year) and record malting barley exports of 1.4 MMT for 2008-2009. This is due to a continued strong

world demand, despite higher world stocks and a depressed world economic situation. Low carry-in stocks, due to a small 2007 crop and high exports in 2007-2008, are off-set by a large, good quality 2008 crop and make the ambitious target possible. While grain prices have fallen significantly from the historic highs experienced in 2008, they remain high compare to historic averages. More information is available in the CWB's [Grain Marketing Report](#) and on the [CWB website](#).

MARKET ACCESS SECRETARIAT FORMED TO BOOST EXPORT OPPORTUNITIES FOR AGRICULTURE, PARTICULARLY THE BELEAGUED BEEF SECTOR:

Gerry Ritz, Canada's Minister of Agriculture has announced the creation of a new market access secretariat with a goal to better co-ordinate government initiatives with producers and industry to aggressively and strategically develop new export markets and keep pace with international competitors. The formation of the secretariat was a recent recommendation by the Beef-Cattle and Pork Value Chain Roundtables. Agriculture and Agri-Food Canada established the Value Chain Roundtables for beef and pork in 2003 as a way for Government to work in partnership with producers and industry to help producers meet the competitive challenges of the global marketplace. The groups bring together players from all points in the value chain - producers, processors, retailers and others – with a goal to build and implement a shared strategic vision for their sectors. According to Ritz, the new secretariat will work toward expanding market access beyond the U.S. for Canadian food and agricultural products in other markets such as Mexico, China, Japan, Korea, Hong Kong, Indonesia, Russia and Saudi Arabia. Ritz said the government would also implementing livestock industry recommendations to pursue commercially-significant access to international beef markets as the first step in a staged process toward full OIE access. *Comment: Canadian beef exports have not recovered to their pre-BSE level. In 2008, Canadian fresh and frozen beef and veal exports totaled an estimated 350,000 MT product weight, still about 25% below the 462,155 MT exported during 2002, which was the last full calendar year of beef trade unaffected by the first detection of BSE in Canada in May 2003. The weakness in Canadian beef export trade since BSE has been shared relatively equally between lower exports to the United States and to the rest of the world. Among former major destinations that currently accept Canadian beef, Japan has proven to be the slowest export market to recover. Canadian beef exports to Japan in 2008 were less than half of their pre-BSE level reflecting increased competition and the stronger Canadian dollar. Although Canada was categorized by the World Organization for Animal Health (OIE) in May 2007 as a Controlled Risk Country for BSE, many trading partners continue to maintain partial or complete bans on Canadian beef, mostly notably, South Korea which was the fourth most important export market for Canadian beef in 2002.*

CANADIAN RENEWABLE FUELS PRODUCTION CAPACITY TARGETS MAY BE IN JEOPARDY: The Canadian renewable fuels industry's objective to reach an ethanol production capacity of 1.9 billion liters by 2010 may be in jeopardy with the recent announcement by Suncor to delay the expansion of its 200 million liter capacity St. Clair, Ontario ethanol plant. Reasons for the delay are to cut costs and spending in response to suppressed oil prices. Suncor, best known for having pioneered commercial development of the oil sands in Alberta, has diversified and become a major North American energy producer and marketer. It opened its St. Clair plant in July 2006 and blends the ethanol produced into its Sunoco branded gasoline. In June of 2008, Suncor issued a press release announcing plans to proceed with a \$120 million expansion of its St. Clair plant. In July of 2008, the government of Canada announced that Suncor would be receiving a \$25 million grant through the [ecoABC program](#). The ecoABC Program allows new ethanol plants to receive long-term, non-interest bearing contribution that are repayable once the plant earns a gross income of more than \$0.20/litre. In addition to the grant, and as a requirement to be eligible for the grant, Suncor also received equity investment from farmers totaling \$12.5 million for the project. This expansion would have doubled current production capacity by increasing production to 400 million liters per day as well as produced dried distillers grains with solubles and carbon dioxide. The target completion date was late 2009. The project is reported to be on hold until at least late 2010, and perhaps even until 2011.

Exchange Rate: Noon rate, January 16, 2009 (Bank of Canada): U.S. Dollar = C\$1.2542

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